

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Central Wayne County Sanitation Authority	County Wayne
Audit Date June 30, 2005	Opinion Date August 8, 2005	Date Accountant Report Submitted To State: October 6, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): Plante & Moran, PLLC			
Street Address 1000 Oakbrook Dr., Suite 400	City Ann Arbor	State MI	ZIP 48104
Accountant Signature <i>Plante & Moran, PLLC</i>			

Central Wayne County Sanitation Authority

**Financial Report
with Supplemental Information
June 30, 2005**

Central Wayne County Sanitation Authority

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Independent Auditor's Report

To the Board of Directors
Central Wayne County Sanitation Authority

We have audited the accompanying basic financial statements of Central Wayne County Sanitation Authority as of June 30, 2005 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of Central Wayne County Sanitation Authority's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Central Wayne County Sanitation Authority as of June 30, 2005 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying required supplemental information and other supplemental information, as listed in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Central Wayne County Sanitation Authority. The required supplemental information and other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

August 8, 2005



A worldwide association of independent accounting firms

Central Wayne County Sanitation Authority

Management's Discussion and Analysis

Our discussion and analysis of Central Wayne County Sanitation Authority's (the "Authority" or "CWCSA") financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2005. Please read it in conjunction with the Authority's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the member communities have funded the full cost of providing services.

The fund financial statements present a short-term view; they tell us how the resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Authority's operations in more detail than the government-wide financial statements by providing information about the Authority's individual funds.

Central Wayne County Sanitation Authority as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2005 compared to the net assets as of June 30, 2004 (amounts in thousands). This is the second year of implementation of GASB No. 34.

	June 30	
	2005	2004
Assets		
Current assets	\$ 6,893	\$ 7,927
Noncurrent assets	<u>1,490</u>	<u>1,985</u>
Total assets	8,383	9,912
Liabilities		
Current liabilities	3,303	2,814
Noncurrent liabilities	<u>9,325</u>	<u>12,934</u>
Total liabilities	<u>12,628</u>	<u>15,748</u>
Net Assets (Deficit)		
Invested in capital assets - Net of related debt	(3,697)	(6,199)
Restricted	736	1,464
Unrestricted	<u>(1,284)</u>	<u>(1,101)</u>
Total net assets (deficit)	<u>\$ (4,245)</u>	<u>\$ (5,836)</u>

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

The Authority's combined net assets increased by approximately \$1,591,000 due to several factors related to the change in operations during the year and due to the change in estimated closure and postclosure care cost liability (see Note 11). Operating revenues exceeded operating expenses by approximately \$1,585,000.

Governmental Activities

The Authority's operating revenue decreased approximately \$2.8 million, due primarily to a reduction in disposal rates and administration fees. The Authority's operating and disposal expenditures decreased approximately \$1.3 million, due to the significant change in operations.

General Fund Budgetary Highlights

Over the course of the year, the Authority amended the budget to take into account events during the year. The most significant budget amendments occurred due to the change in the estimated cost to demolish the plant and close the monofill. Overall, the Authority stayed below budget.

Capital Assets and Debt Administration

At the end of 2004, the Authority had approximately \$585,000 invested in land and equipment prior to the accumulation of depreciation.

Bonded debt was reduced by \$2,510,000 and monofill closure and postclosure care costs were reduced by \$1,507,000 during the year.

More detailed information concerning capital assets and long-term debt can be found in Notes 4 and 6, respectively.

Economic Factors and Next Year's Budgets and Rates

Major Change in Direction for CWCSA

In 1964, the Authority implemented the burning of solid waste as a means of reducing the volume of solid waste produced by the five-member cities that needed to be placed in a landfill. The resulting ash was placed in the monofill. The Authority member cities concluded that this was the best direction for the disposal of solid waste in an environmentally safe manner. This approach was continued until 1998. At that time, the operation of the incinerator was changed dramatically with the reconstruction of the facility into a waste-to-energy (WTE) plant by a private partnership, Central Wayne Energy Recovery Limited Partnership (CWERLP). This introduced the second approach of producing electric power from the burning of solid waste. Even though WTE was a dramatic change, the direction was still the same.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

However, with the closure of the WTE plant in September 2003, the result was a significant change in direction. Solid waste was transported to Woodland Meadows, a landfill operated by Waste Management Michigan. This was originally a temporary measure. In December 2003, CWERLP filed for bankruptcy. The ultimate approval of the purchase offer submitted by WMM to purchase both CWERLP and CWCSA's assets at the WTE plant in June 2004 confirmed this change in direction.

The result of this was that for the first time in over five years, the Authority was able to reduce tipping fee rates. The new rates went from \$63/ton to \$49/ton beginning with the fiscal year 2004-2005. The last time the \$49/ton rate was charged was in the fiscal year ended June 30, 1992. The board approved a further reduction in tonnage rates effective July 1, 2005 to be \$46/ton. The last time the \$46/ton rate was charged was in the fiscal year ended June 30, 1991.

CWCSA received a \$4 million payment from WMM during fiscal year 2003-2004 as part of the new 20-year agreement. The original fiscal year 2004-2005 budget was based on the expectation that this money would be used to assist in the demolition of the WTE plant by June 30, 2005. The salvageable equipment was sold primarily through an on-line auction in December 2004. Net proceeds totaling \$528,290 were deposited with WMM to be applied to the demolition costs. Another \$38,525 was received from equipment directly sold by CWCSA. Therefore, a total of \$566,815 from equipment sales is available for this project.

In addition, WMM paid \$4 million to acquire the assets of CWERLP through the bankruptcy proceedings. In this agreement, \$500,000 was set aside in an escrow fund. WMM filed a claim against this amount for environmental cleanup at the WTE plant. A settlement has been agreed to by the various parties and has been confirmed by the Federal Bankruptcy Court as signed by the judge on September 15, 2005. Since this settlement has been approved, the amount of \$200,000 less an estimated amount of \$5,000 for WMM's expenses will also be available to apply against the demolition costs.

The contract for demolition was awarded by WMM early in 2005. The contractor started work on February 16, 2005 and expects to be completed by late August or early September 2005. Due to the amount of expected net expenditure for demolition, the CWCSA board amended the fiscal year 2004-2005 budget in February 2005. As part of this amendment, the board reduced the budgeted WTE demolition cost from \$4 million to \$2 million.

A portion of this reduction was used to offset the "administration" portion of the charges for the last six months of the fiscal year, effectively reducing the tipping fee further. The five-member cities were not billed for administration for the last six months of the fiscal year.

Part of these funds was used to assist in the closure process of the monofill, which began with the movement of ash in November 2004. Movement of ash by CWCSA employees was undertaken using leased equipment from November 2004 until May 2005. A contractor completed the ash movement in June 2005 and began remaining closure work in July 2005. Final closure is expected by late September or early October 2005.

Central Wayne County Sanitation Authority

Management's Discussion and Analysis (Continued)

There will be a continued need to maintain the monofill for a minimum of 30 more years, but this will be at a significantly lower annual cost than the current annual operating cost at the monofill.

All solid waste deliveries to the transfer station at the WTE plant ceased in December 2003. Compost was restarted for a portion of the compost season starting in March 2004, but has ceased as of September 17, 2004. No further flow of solid waste will be handled at the WTE plant in the future due to the demolition of the WTE facility.

One should note that the Authority has no remaining debt on the WTE plant or the land upon which it is located. The only remaining debt of CWCSA is on the monofill. A significant amount of this debt was paid off during fiscal year 2004-2005. The total debt will be paid in full by July 2007.

The authority board and staff have taken a very aggressive approach to resolving the challenges faced by CWCSA. These challenges will be resolved in a fiscally and cost-effective manner by the agreements put into place between CWCSA and WMM. The result is expected to be a stable means of solid waste disposal for the next 20 years on a financial basis that will be beneficial to both CWCSA and WMM.

Significant progress was made in fiscal year 2004-2005 toward the two major goals of demolition/restoration of the WTE facility and the permanent closure of the monofill.

These substantial goals will be completed during the early part of fiscal year 2005-2006. The two major goals for fiscal year 2005-2006 will be the sale of the land at the WTE plant location and the effort to further reduce expenses at the monofill as well as the sale of the property.

The future of CWCSA looks bright as our member cities continue to work together to dispose of solid waste during the coming years.

Contacting the Authority's Management

This financial report is intended to provide our citizens, member communities, and investors with a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the executive director at 734-722-9980, ext. 12 or cwcsaexec@sbcglobal.net.

Central Wayne County Sanitation Authority

Governmental Fund Balance Sheet/Statement of Net Assets (Deficit) June 30, 2005

	Governmental Fund Types			Statement of
	General Fund	Capital Projects Fund	Adjustments	Net Assets
Assets				
Cash and cash equivalents (Note 3)	\$ 1,762,575	\$ 4,361,510	\$ -	\$ 6,124,085
Accounts receivable:				
Constituent communities	747,572	-	-	747,572
Other	6,428	2,026	-	8,454
Restricted assets (Note 7)	791,090	186,142	-	977,232
Nondepreciable capital assets	-	-	509,904	509,904
Depreciable capital assets - Net (Note 4)	-	-	2,842	2,842
Other assets	13,208	-	-	13,208
Total assets	\$ 3,320,873	\$ 4,549,678	\$ 512,746	\$ 8,383,297
Liabilities and Fund Equity/ Net Assets (Deficit)				
Liabilities				
Accounts payable	\$ 472,110	\$ 606,123	\$ -	\$ 1,078,233
Accrued and other liabilities	15,258	-	-	15,258
Payable from restricted assets:				
Due to Perpetual Care Fund	241,076	-	-	241,076
Noncurrent liabilities (Note 6):				
Due within one year	-	-	2,210,000	2,210,000
Due in more than one year	-	-	2,000,000	2,000,000
Monofill closure and postclosure costs	-	-	7,084,000	7,084,000
Total liabilities	728,444	606,123	11,294,000	12,628,567
Fund Equity/Net Assets (Deficit)				
Invested in capital assets - Net of related debt	-	-	(3,697,254)	(3,697,254)
Fund balances/net assets:				
Reserved/Restricted	550,014	186,142	-	736,156
Unreserved/Unrestricted	2,042,415	3,757,413	(7,084,000)	(1,284,172)
Total fund equity/net assets (deficit)	2,592,429	3,943,555	(10,781,254)	(4,245,270)
Total liabilities and fund equity/ net assets (deficit)	\$ 3,320,873	\$ 4,549,678	\$ 512,746	\$ 8,383,297

Central Wayne County Sanitation Authority

Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2005

	General Fund	Capital Projects Fund	Adjustments	Statement of Activities
Revenue				
Disposal fees	\$ 5,601,800	\$ -	\$ -	\$ 5,601,800
Interest income	67,627	101,752	-	169,379
Other operations	35,650	-	-	35,650
Total revenue	5,705,077	101,752	-	5,806,829
Expenditures				
Operations	685,932	-	-	685,932
Transfer station	44,841	-	-	44,841
Monofill	322,746	-	-	322,746
Disposal costs:				
Solid waste	2,004,294	-	-	2,004,294
Compost	654,295	-	-	654,295
Debt service	2,876,386	-	(2,510,000)	366,386
Capital outlay	-	28,105	(3,552)	24,553
Monofill closure	-	817,661	(817,661)	-
Recycling	-	118,235	-	118,235
Depreciation	-	-	710	710
Total expenditures	6,588,494	964,001	(3,330,503)	4,221,992
Excess of Revenue Over (Under)				
Expenditures	(883,417)	(862,249)	3,330,503	1,584,837
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	38,525	(38,525)	-
Gain on sale of assets	-	-	27,239	27,239
Monofill closure and postclosure costs	-	-	689,339	689,339
Operating transfers in	750,000	80,000	(830,000)	-
Operating transfers out	(80,000)	(750,000)	830,000	-
Total other financing sources (uses)	670,000	(631,475)	678,053	716,578
Extraordinary Items				
Salvage from plant demolition	-	528,290	-	528,290
Plant demolition expenditures	-	(1,238,727)	-	(1,238,727)
Total extraordinary items	-	(710,437)	-	(710,437)
Net Change in Fund Balances/Net Assets	(213,417)	(2,204,161)	4,008,556	1,590,978
Fund Balances/Net Assets (Deficit) -				
Beginning of year	2,805,846	6,147,716	(14,789,810)	(5,836,248)
Fund Balances/Net Assets (Deficit) -				
End of year	<u>\$ 2,592,429</u>	<u>\$ 3,943,555</u>	<u>\$ (10,781,254)</u>	<u>\$ (4,245,270)</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies

Central Wayne County Sanitation Authority (the "Authority") provides household refuse disposal services primarily for the benefit of member municipalities in Wayne County, Michigan. These member municipalities are the cities of Dearborn Heights, Garden City, Inkster, Wayne, and Westland.

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Authority is governed by a board consisting of one representative from each of the five member communities. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements.

Basis of Accounting

The government-wide full accrual financial statements (the statement of net assets (deficit) and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. For the purpose of the government-wide financial statements, the Authority reports a liability for outstanding bonds and monofill closure and postclosure care costs, which will be funded through future revenue from the member municipalities.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The Authority reports the following major governmental funds:

General Fund - The General Fund contains the records of the ordinary activities of the Authority that are not accounted for in another fund. General Fund activities are financed by revenue from refuse disposal fees.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Projects Fund - The Capital Projects Fund is used to account for expenditures financed by bond issues and by the board-designated Improvement Fund.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Investments - Investments are recorded at fair value, based on quoted market prices, with the exception of money market instruments with a maturity of one year or less at time of purchase, which are recorded at cost.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/due from other funds." All receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - Several bond ordinances require amounts be set aside for maintenance, debt service principal and interest, and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds of the Capital Projects Fund are required to be set aside for construction or debt service. These amounts have also been classified as restricted assets.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and Capital Projects Fund. All annual appropriations lapse at fiscal year end. The board approves the original budget prior to the beginning of the fiscal year. The board reviews budget to actual information throughout the year and approves amendments as deemed necessary. The budget is adopted on a fund-total basis.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the Authority is the fund level.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A comparison of actual results of operations to the budgets as adopted by the board is included in the required supplemental information for the General Fund and in the other supplemental information for the Capital Projects Fund.

Excess of Expenditures Over Appropriations in Budgeted Funds - The Authority did not have significant expenditure budget variances.

Note 3 - Deposits and Investments

Michigan Compiled Laws section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Authority has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in instruments approved by the state statutory authority as listed above.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. At year end, the Authority had \$3,372,487 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The Authority believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Authority evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority does not have a policy for custodial credit risk. At year end, the Authority does not have any investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Authority's name.

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Authority's investment policy restricts investment maturities to the extent possible, the Authority will attempt to match investments with anticipated cash flow requirements. Unless matched to a specific cash flow requirement, the Authority will not directly invest in securities maturing more than 18 months from the date of purchase. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Bank investment pools	\$ 829,446	30 days

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Authority has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$ 829,446	AAAM, Aaa	S&P, Moody's
Bank investment pool	2,207,573	AI, PI	S&P, Moody's
Not rated - Bank investment pools	241,076	Not rated	

Concentration of Credit Risk

The Authority limits the amount that may invest in any one issuer and with any one institution. With the exception of U.S. Treasury, securities, and authorized investment pools, no more than 50 percent of the total investment portfolio will be invested in a single security type or 25 percent with a single financial institution.

Note 4 - Capital Assets

Capital asset activity of the Authority was as follows:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2005</u>
Capital assets not being depreciated -				
Land	\$ 509,904	\$ -	\$ -	\$ 509,904
Capital assets being depreciated:				
Equipment	71,946	3,552	-	75,498
Vehicles	39,500	-	(39,500)	-
Subtotal	111,446	3,552	(39,500)	75,498
Accumulated depreciation:				
Equipment	71,946	710	-	72,656
Vehicles	28,214	-	(28,214)	-
Subtotal	100,160	710	(28,214)	72,656
Net capital assets being depreciated	11,286	2,842	(11,286)	2,842
Net capital assets	<u>\$ 521,190</u>	<u>\$ 2,842</u>	<u>\$ 11,286</u>	<u>\$ 512,746</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 5 - Transfers

The transfer from the Capital Projects Fund to the General Fund represents the movement of resources to be used for debt service. The transfers from the General Fund to the Capital Projects Fund represent the movement of resources to be used for future capital projects.

Note 6 - Long-term Debt

The Authority issues revenue bonds to provide for the construction of major capital improvements. Revenue bonds involve a pledge of revenue derived from operations.

Long-term obligation activity can be summarized as follows:

	Amount of Issue	Maturing Through	Interest Rate	Principal Maturity Ranges	Beginning Balance	Reductions*	Ending Balance	Due Within One Year
Incinerator revenue bonds:								
Series V	\$ 1,710,000	2005	6.8%-6.85%	-	\$ 330,000	\$ (330,000)	\$ -	\$ -
Series VI	1,435,000	2006	6.4%	\$1,435,000	1,435,000	-	1,435,000	1,435,000
Series 1999 - Refunding bonds	7,400,000	2005	4.75%	-	2,180,000	(2,180,000)	-	-
Series VII			4.375%-	\$775,000-				
	2,775,000	2007	4.75%	\$2,000,000	2,775,000	-	2,775,000	775,000
Total incinerator revenue bonds					6,720,000	(2,510,000)	4,210,000	2,210,000
Monofill closure and postclosure care costs (Note 12)					8,591,000	(1,507,000)	7,084,000	-
Total					\$15,311,000	\$ (4,017,000)	\$ 11,294,000	\$ 2,210,000

* There were no additions to long-term debt during the fiscal year.

Annual debt service requirements to maturity of the above bonds are as follows:

	Principal	Interest	Total
2006	\$ 2,210,000	\$ 237,706	\$ 2,447,706
2007	2,000,000	95,000	2,095,000
Total	\$ 4,210,000	\$ 332,706	\$ 4,542,706

Advance Refundings - In prior years, the Authority defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2005, \$1,920,000 of bonds outstanding are considered defeased and not included in the above schedules.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 7 - Restricted Assets

Restricted assets represent cash and investments that have been segregated for specific purposes due to legal requirements. The restricted assets were composed of the following:

	General Fund	Capital Projects Fund	Total
Cash and cash equivalents - Investments	\$ 741,090	\$ 186,142	\$ 927,232
Deposit with Michigan Department of Natural Resources	<u>50,000</u>	<u>-</u>	<u>50,000</u>
Total restricted assets	<u>\$ 791,090</u>	<u>\$ 186,142</u>	<u>\$ 977,232</u>

A summarization of the intended uses of the restricted assets is as follows:

	General Fund	Capital Projects Fund
Reserved for future Series VI bond principal and interest redemption*	\$ 143,500	\$ -
Reserved for future Series VII bond principal and interest redemption*	281,514	-
Reserved for future plant equipment repair and replacement*	75,000	-
Reserved for monofill perpetual care	241,076	-
Reserved - Unspent bond proceeds	-	186,142
Deposit reserved for Monofill Watering Care Fund	<u>50,000</u>	<u>-</u>
Total restricted assets	<u>\$ 791,090</u>	<u>\$ 186,142</u>

* These balances have been established in accordance with Revenue Bond Ordinances Nos. 3, 4, 5, 8, and 9. The ordinances require that, after providing for current operations, maintenance, and bond and interest redemption, a Bond Reserve Account and Replacement Fund be established.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 8 - Risk Management

The Authority is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for all of the above risks. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 9 - Defined Benefit Pension Plan

Plan Description

As part of the privatization initiative, all employees were terminated on June 15, 1998. The Authority provided substantially all employees with retirement, disability, and death benefits by participating in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit plan. The active employees on June 15, 1998 were offered the option of withdrawing their funds or remaining in the plan. The Authority is responsible for maintaining sufficient funds in the plan to cover the actuarially computed future benefits for the previous employees remaining in the plan. During the year ended June 30, 2003, the plan re-opened and the two employees of the Authority are now active participants. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Michigan Municipal Employees' Retirement System at 1134 Municipal Way, Lansing, Michigan 48917.

Annual Pension Cost

For year ended June 30, 2005, the Authority's required annual pension cost was \$12,444. The Authority contributed an additional \$100,000 during the year. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.5 percent per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2004	2003
Annual pension cost (APC)	\$ 112,444	\$ 10,320	\$ 30,000
Percentage of APC contributed	100%	100%	100%
	Valuation Year Ended December 31		
	2004	2003	2002
Actuarial value of assets	\$ 3,238,040	\$ 3,290,177	\$ 3,328,350
Actuarial accrued liability (AAL)			
(entry age)	\$ 3,504,500	\$ 3,494,651	\$ 3,452,001
Unfunded AAL (UAAL)	\$ 266,460	\$ 204,474	\$ 123,651
Funded ratio	92%	94%	96%

Note 10 - Defined Contribution Pension Plan

The Authority provides pension benefits to all of its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the Authority, the Authority contributes 1 percent of employees' gross earnings. There were no contributions to this plan during the year.

Note 11 - Commitments

The Authority has obtained a \$1,365,000 letter of credit to provide financial assurance to the Michigan Department of Natural Resources for potential liability relative to the monofill. The Authority has submitted a \$50,000 cash bond to the Michigan Department of Natural Resources. This bond will be retained by the Michigan Department of Natural Resources until 30 years past the time of closure of the monofill.

The Authority entered into a 20-year disposal contract with Waste Management of Michigan (WMM). Pursuant to the agreement, WMM is to accept waste from the constituent communities at the Woodland Meadows landfill for a fixed rate per ton, to increase annually beginning July 1, 2007. The increase on July 1, 2007 is 3.75 percent and 2 percent annually thereafter. The fixed rate as of June 30, 2005 is \$18.98 per ton plus related taxes, fees, and surcharges.

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 11 - Commitments (Continued)

In conjunction with the disposal agreement, WMM agreed to purchase all the assets of the Authority, except the following assets: land, office equipment, the monofill, and certain vehicles. The Authority received \$4,000,000 from the sale of their assets. Pursuant to the sale agreement, WMM is responsible for disposal of equipment and demolition of the incinerator plant (the "plant") previously operated by a third party. WMM sold the equipment in the plant for \$528,290 and the Authority received \$38,525 directly for the sale of related equipment. These proceeds are used to finance the cost of demolition. If these proceeds exceed the cost of demolition, the excess will be paid to the Authority. If the cost of demolition exceeds the proceeds, the Authority will pay WMM the difference. As of June 30, 2005, the cost of demolition exceeded proceeds by approximately \$330,000, which is recorded as a liability at June 30, 2005. WMM expects an additional \$227,000 to complete the demolition of the plant, for which the Authority will be responsible.

The Authority has contracted with a contractor for the closure of the monofill. At year end, the Authority has spent \$224,756, resulting in a remaining commitment of \$1,779,340.

Note 12 - Monofill Closure and Postclosure Care Cost

State and federal laws and regulations require the Authority to place a final cover on its monofill when it stops accepting waste and to perform certain maintenance and monitoring functions at the monofill for 30 years after closure. Although closure and postclosure care costs will be paid near or after the date the monofill stops accepting waste, the Authority records a portion of these costs as a liability in accordance with Governmental Accounting Standards Board Statement No. 18. The \$7,084,000 liability recorded at June 30, 2005 represents the Authority's portion of the estimated total liability for closure and postclosure care costs. The amount recorded is based on estimated costs in current dollars to perform all closure and postclosure care as of June 30, 2005. Actual costs may differ due to inflation, changes in technology, or changes in regulations.

The Authority is required by state regulations to set aside a portion of disposal fees to finance postclosure maintenance. The amount is reported as a restricted asset and a liability (see Note 7).

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 13 - Postemployment Benefits

Health care insurance is provided for employees who have 25 or more years of service when they retire. The cost of this benefit is recognized as the insurance premiums become due. During 2005, 11 retired employees received this benefit for a cost to the Authority of approximately \$135,000. There is one former employee who is eligible for this benefit in the future when they retire from their subsequent employers. In addition, there are two former employees receiving long-term workers' compensation benefits. The cost to the Authority was approximately \$33,000 for the year ended June 30, 2005. The combined total for both retirees and disabled persons was approximately \$168,000.

Upcoming Reporting Changes - The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 14 - Operating Leases

The Authority entered into a lease agreement for its office during 2004 with an unrelated party under an operating lease that expires on November 15, 2007. Total lease expense for this operating lease was \$11,200 for the year ended June 30, 2005.

Future minimum rental commitments are as follows:

Years Ending June 30	Amount
2006	\$ 17,094
2007	17,607
2008	7,426
Total	<u>\$ 42,127</u>

Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements

Total fund balance and the net change in fund balance of the Authority's funds differ from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 6,535,984
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Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources and are not reported in the funds	512,746
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Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds	(4,210,000)
Monofill closure and postclosure costs	<u>(7,084,000)</u>

Net Assets - Full accrual method	<u>\$ (4,245,270)</u>
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Total Net Change in Fund Balances - Modified accrual basis	\$ (2,417,578)
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Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their allocated over their estimated useful lives as depreciation:

Depreciation	(710)
Capital outlay expenditures	3,552

Governmental funds report proceeds on sales of assets in the statement of revenue, expenditures and changes in fund balance, not the gain	(11,286)
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Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	2,510,000
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Central Wayne County Sanitation Authority

Notes to Financial Statements June 30, 2005

Note 15 - Reconciliation of Governmental Fund Financial Statements to Government-wide Financial Statements (Continued)

Amounts reported in the statement of activities are different because (Continued):

Payment for closure of the monofill is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term monofill closure and postclosure costs)	\$ 817,661
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Reduction of monofill postclosure costs due to a change in the estimate is not recorded in the statement of revenue, expenditures, and changes in fund balance	<u>689,339</u>
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Change in Net Assets - Full accrual basis	<u><u>\$ 1,590,978</u></u>
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Required Supplemental Information

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule General Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Disposal fees	\$ 6,155,723	\$ 5,678,414	\$ 5,601,800	\$ (76,614)
Interest income	40,000	40,000	67,627	27,627
Other operations	1,000	-	35,650	35,650
Total revenue	6,196,723	5,718,414	5,705,077	(13,337)
Expenditures				
Operations	693,975	823,635	685,932	137,703
Monofill	663,935	484,235	322,746	161,489
Transfer station	50,934	44,841	44,841	-
Disposal costs:				
Solid waste	2,079,488	2,024,049	2,004,294	19,755
Compost	714,850	709,594	654,295	55,299
Debt service	2,876,586	2,876,586	2,876,386	200
Total expenditures	7,079,768	6,962,940	6,588,494	374,446
Excess of Expenditures Over Revenue	(883,045)	(1,244,526)	(883,417)	361,109
Other Financing Sources (Uses)				
Operating transfers out	(80,000)	(80,000)	(80,000)	-
Operating transfers in	614,639	976,120	750,000	(226,120)
Total other financing sources (uses)	534,639	896,120	670,000	(226,120)
Excess of Expenditures and Other Financing Uses Over Revenue and Other Sources	(348,406)	(348,406)	(213,417)	134,989
Fund Balance - Beginning of year	2,805,846	2,805,846	2,805,846	-
Fund Balance - End of year	<u>\$ 2,457,440</u>	<u>\$ 2,457,440</u>	<u>\$ 2,592,429</u>	<u>\$ 134,989</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the General Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Other Supplemental Information

Central Wayne County Sanitation Authority

Schedule of Expenditures - Operations Budget and Actual General Fund Year Ended June 30, 2005

	Amended Budget	Actual	Variance Favorable (Unfavorable)
Operating expenses:			
Administrative salaries and wages	\$ 141,939	\$ 135,686	\$ 6,253
Social Security	10,858	10,031	827
Hospitalization insurance	167,337	167,439	(102)
Life insurance	5,328	4,439	889
Office supplies	4,000	4,724	(724)
Office equipment and rental	2,000	5,452	(3,452)
Postage	1,000	839	161
Auditing and accounting	8,975	8,975	-
Payroll accounting	1,800	1,810	(10)
Legal fees	110,000	71,306	38,694
Banking and financial	7,800	8,235	(435)
Consulting fees	35,000	-	35,000
Amortization expense	2,705	1,355	1,350
Workers' compensation	469	531	(62)
Insurance - Other	30,000	26,099	3,901
Monofill - Perpetual care	105,000	105,000	-
Host fee	-	36	(36)
License fees	-	293	(293)
Membership dues	800	845	(45)
Education and training	3,000	787	2,213
Retirement contribution	112,444	112,444	-
Janitorial services	1,680	1,680	-
Janitorial supplies	1,000	728	272
Alarm system	-	204	(204)
Building rent	11,200	11,200	-
Utilities	6,000	2,490	3,510
Telephone	2,000	2,918	(918)
Lot maintenance	800	-	800
Miscellaneous	500	386	114
Contingency	50,000	-	50,000
Total operating expenses	<u>\$ 823,635</u>	<u>\$ 685,932</u>	<u>\$ 137,703</u>

Central Wayne County Sanitation Authority

Budgetary Comparison Schedule Capital Projects Fund Year Ended June 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 22,000	\$ 65,600	\$ 101,752	\$ 36,152
Expenditures				
Capital outlay	25,000	25,000	28,105	(3,105)
Plant demolition	4,000,000	2,000,000	1,238,727	761,273
Monofill closure	1,400,000	500,000	817,661	(317,661)
Recycling	80,000	80,000	118,235	(38,235)
Total expenditures	5,505,000	2,605,000	2,202,728	402,272
Excess of Expenditures Over Revenue	(5,483,000)	(2,539,400)	(2,100,976)	438,424
Other Financing Sources (Uses)				
Proceeds from sale of assets	-	-	38,525	38,525
Salvage from plant demolition	600,000	600,000	528,290	(71,710)
Operating transfers in	80,000	80,000	80,000	-
Operating transfers out	(614,639)	(976,120)	(750,000)	226,120
Total other financing sources (uses)	65,361	(296,120)	(103,185)	192,935
Excess of Expenditures and Other Financing Uses Over Revenue and Other Sources	(5,417,639)	(2,835,520)	(2,204,161)	631,359
Fund Balance - Beginning of year	6,147,716	6,147,716	6,147,716	-
Fund Balance - End of year	<u>\$ 730,077</u>	<u>\$ 3,312,196</u>	<u>\$ 3,943,555</u>	<u>\$ 631,359</u>

The Authority's budget was adopted on a fund basis. The budget comparison shown above for the Capital Projects Fund is more detailed than the General Appropriations Act. Information on this schedule is presented for the purpose of additional analysis.

Central Wayne County Sanitation Authority

Schedule of Bonded Indebtedness June 30, 2005

Description	Interest	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
	Rate			June 30	
	(Percent)			2005	2004
Incinerator Revenue Bonds					
Series V:					
Amount of issue - \$8,800,000*					
Date of issue - May 1, 1992					
	6.85%	7/1/2005	\$ 330,000	\$ -	\$ 330,000
Series VI:					
Amount of issue - \$3,400,000					
Date of issue - August 20, 1996					
	6.40%	7/1/2006	1,435,000	1,435,000	1,435,000
Series 1999 - Refunding bonds:					
Amount of issue - \$7,400,000					
Date of issue - September 1, 1999					
	4.75%	7/1/2005	2,180,000	-	2,180,000
Series VII:					
Amount of issue - \$2,775,000					
Date of issue - April 22, 2003					
	4.375%	7/1/2006	775,000	775,000	775,000
	4.75%	7/1/2007	2,000,000	2,000,000	2,000,000
Total Series VII				2,775,000	2,775,000
Total incinerator revenue bonds				\$ 4,210,000	\$ 6,720,000

* Bonds were partially refunded in 1999.

August 8, 2005

Board of Directors
Central Wayne County Sanitation Authority
3759 Commerce Ct.
Wayne, MI 48184

Dear Board Members:

We have recently completed the audit of the financial statements of Central Wayne County Sanitation Authority for the year ended June 30, 2005. Again this year, the Authority's books and records were found to be in excellent condition. In addition to the audit report, we offer the following for your consideration:

ELECTRONIC FUNDS TRANSFERS

The Authority has adopted an electronic funds transfer (ACH payments) policy as required. As an internal control, the policy requires the Executive Director to prepare a list of vendors authorized for ACH payments. During the audit we noted that this list does not exist. We recommend the Executive Director compile this list and submit it to the Board of Directors for approval.

CAPITALIZATION POLICY

As the Authority continues to operate and as Board membership may change over time, it is important that the Authority policies are written and formally adopted by the Board to ensure continuity and consistency. We recommend the Authority create and adopt a capitalization policy in order to properly identify expenditures that should be capitalized when purchased.

We would be happy to provide an example of such a policy at the Authority's request.

POSTEMPLOYMENT BENEFITS

Two new accounting pronouncements were recently issued by the Governmental Accounting Standards Board (GASB). GASB No. 43 and 45 address the accounting and disclosures related to post employment benefits other than pensions. In short, these pronouncements require governmental units to account for and disclose liabilities related to health care promises to retirees, much in the same way that pensions are handled. Starting in the fiscal year 2009-2010, the Authority will be required to measure and report its retiree health care liability.

Board Members
Central Wayne County Sanitation Authority

August 8, 2005

We would like to express our sincere appreciation to Mr. Steven Aynes and Mrs. Patricia Noel for the courtesy and cooperation extended to us during the course of our engagement. If you have any questions or comments, we would be pleased to discuss them with you at your convenience.

Yours truly,

PLANTE & MORAN, PLLC



David H. Helisek



April King